

Message Text

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INFO OCT-01 AF-10 EUR-25 EA-11 NEA-10 ADP-00 CIAE-00

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EUR/ WE - MR. FLOYD

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FM SECSTATE WASHDC

TO AMEMBASSY LONDON

INFO AMEMBASSY BONN

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E. O. 11652 GDS- DECLAS DEC. 31, 1979

TAGS: ENRG, UK

SUBJECT: OIL NEGOTIATIONS

REF: LONDON 6097, TRIPOLI 683, LONDON 6156

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1. OIL COMPANIES OPERATING IN LIBYA WILL MEET IN NEW YORK 5/25 TO DETERMINE NEXT STEPS IN LIBYAN NEGOTIATIONS. FEELING AMONG MAJORS WITH WHICH WE HAVE SPOKEN IS THAT LARG NOT PREPARED TO NEGOTIATE AT THIS POINT AND THAT CURRENT SITUATION IN TRIPOLI (POPULAR COMMITTEE HARRASSMENT, ETC.) MAKES NEGOTIATING CLIMATE UNFAVORABLE. THEY APPARENTLY WOULD PREFER STANDING PAT TO AWAIT NEXT LARG MOVE, BUT ARE CONCERNED THAT INDEPENDENTS (PARTICULARLY MARATHON AND CONTINENTAL) MAY WANT TO MOVE FORWARD AND THEREFORE ARE DISCUSSING POSSIBLE NEW INDUSTRY NEGOTIATING PROPOSALS (FYI: WE UNDERSTAND ONE POSSIBILITY IS OFFER OF PRODUCTION SHARING CONTRACTS FOR 51 PERCENT OF PRESENT CONCESSIONS).

2. ACCORDING TO OIL COMPANIES, LARG OIL MINISTRY TECHNICAL DEPARTMENT CALLED IN FIVE COMPANIES MAY 22 TO COMPLAIN ABOUT GAS FLARING, AND TO IMPLY (OR STATE, AS EXXON REPORTS) THAT LARG WISHED GAS FLARING DIS-CONTINUED. AS MOST OIL PRODUCTION IN LIBYA REQUIRES GAS FLARING UNDER PRESENT CIRCUMSTANCES, LARG MAY HAVE BEEN SETTING STAGE FOR PRODUCTION RESTRICTIONS

BASED ON NEED TO CONSERVE GAS.

3. IRAN CONSORTIUM MEMBERS SIGNED HEADS OF AGREEMENT WITH GOI MORNING OF MAY 24 IN TEHRAN. ALTHOUGH WE AS YET HAVE NO FULL REPORT, WE UNDERSTAND THAT GAS ISSUE RESOLVED AT LAST MINUTE TO COMPANIES' SATISFACTION, AS WAS MOST FAVORED NATION CLAUSE. NEXT STEP WILL BE LEGAL DRAFTING OF FINAL AGREEMENT. IT WOULD NOT SURPRISE US, HOWEVER, IF FINAL AGREEMENT NOT SIGNED UNTIL LIBYAN SITUATION RESOLVED OR CLARIFIED. RUSH

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